

Declassified E.O. 12356 Section 3.3/NND No.

785015

ACC

10000/100/432

Declassified E.O. 12356 Section 3.3/NND No.

785015

10000/100/432

ANTI-INFLATION COMMITTEE REPORT
MAY - SEPT. 1944

Declassified E.O. 12356 Section 3.3/NND No.

785015

RMD/afe

A/CC 100.

13 July 1944

Subject: Anti-Inflation Report

To: Allied Force Headquarters, APO 512.

13 JUL 1944

With reference to your cable F-71120 dated 11 July cite FHOEG,
50 copies of the Report of the Allied Anti-Inflation Committee (Italy)
were mailed to your G-5 section with letter A/CC 100, 8 July 1944.

ROBERT E. DOE
Major, A.G.D.
Secretary General

1573

CONFIDENTIAL

ALLIED CONTROL COMMISSION

INCOMING MESSAGE

550

TO: ACTION ACC ADVANCE FOR STONE

SIGNAL MESSAGE CENTER No: 21/12

FROM: AFHQ SIGNED SACRED

CLASSIFICATION: CONFIDENTIAL

REFERENCE No: F71140

PRECEDENCE: PRIORITY

DATE AND TIME OF ORIGIN: JULY 11 1757 OFFICE OF ORIGIN: CITE..FHGEG

2 COPIES ANTI INFLATION REPORT RECEIVED. SEND 10 COPIES TO
AFHQ FOR G5 FASTEST POSSIBLE.

ACTION

ACC DISTN

Action...Econ Sec....3

Info....Dep C C

File

Float.....3

Col Branson

Kenner state sent you
are making distribution of copies
of the anti-inflation report. Will
you please comply with the above
request.

for Group 1000

for Vice President

1572

REFERENCE No: F71140 PRECEDENCE: PRIORITY
DATE AND TIME OF ORIGIN: JULY 111757 OFFICE OF ORIGIN: CITE..FHGEC

2 COPIES ANTI INFLATION REPORT RECEIVED. SEND 10 COPIES TO
AFHQ FOR G5 FASTEST POSSIBLE.

ACTION

ACC DISTN

Action...Econ Sec....3
Info....Dep C C
File
Float.....3

For Review

Memorandum state that you
are making distribution of copies
of the anti-inflation report. Will
you please comply with the above
request.

for Strong to act
for Vice-President
for Economic Section

1572

DATE and Time of RECEIPT JULY 120930

Distribution:

CONFIDENTIAL

1923

Declassified E.O. 12356 Section 3.3/NND No. _____

785015

LDD/dfe ✓

A/CC 100.

11 July 1944

DSB 483
11 JUL 1944

Dear Sir:

Attached for your information is a copy of the Allied Anti-Inflation
Committee (Italy) Report.

Very truly yours,

L. D. DENSMORE
Colonel, Sig C
Chief Staff Officer

1 Incl. - Copy No. 68

Sir Noel Charles, Bt., K.C.M.G.
British High Commissioner in Italy
Naples

1573 6

01 9 2 4

Declassified E.O. 12356 Section 3.3/NND No. _____

785015

L
LDD/afc

A/CC 100.

11 July 1944

DS-1484
11 JUL 1944

My dear Mr. Ambassador:

Attached for your information is a copy of the Allied Anti-Inflation
Committee (Italy) Report.

Very truly yours,

L. D. DENSMORE
Colonel, Sig C
Chief Staff Officer

1 Incl. - Copy No. 67

The Hon. Alexander Kirk
The American Ambassador
Naples

59

1-925

Declassified E.O. 12356 Section 3.3/NND No. 785015

LSD/hjp

A/CC 100

8 July 1944

7 JUL 1944

SUBJECT: Report of the allied Anti-Inflation Committee (Italy)

TO : G-5 Section, Allied Force Headquarters, AFHQ 512
(Attention: Colonel Spafford)

1. Attached is copy of letter which was placed in package containing 50 copies of the above report sent you today.
2. Captain Stone suggested that you may want to retain a few copies at AFHQ and send the balance to Washington and London.
3. Official letter of transmittal dated 20 June 1944, addressed to AFHQ, Attention G-5, and signed by General MacFarlane, together with two copies of the report, was mailed to you today.

L. D. DENSTONE
Colonel, Sig C
Chief Staff Officer

1 Incl:
As per para 1 above.

430.
Incl. 7 Report

NF

1576

HEADQUARTERS
ALLIED CONTROL COMMISSION
Office of the Acting Chief Commissioner
APO 394

MD/hjp

A/CC 100

8 July 1944

7 JUL 1944

SUBJECT: Report of the Allied Anti-Inflation Committee (Italy)

TO : G-5 Section, Allied Force Headquarters, APO 312
(Attention: Colonel Spofford)

This package contains 50 copies of the above report. Letter of even date is being sent you, suggesting the disposition to be made of these 50 copies.

L. D. DENSMORE
Colonel, Sig C
Chief Staff Officer

1569

SG 100 Anti Inflation

CONFIDENTIAL

AFH

AGC MAIN

6514

JUN 21

CONFIDENTIAL

PRIORITY

DEF CHIEF COMMISSIONER

FURTHER YOUR FIVE SEVEN FIVE ZERO ZERO JUNE TEN ONE SIX ONE ZERO SIX JUNE
TWELVE PAGES TO AFH, CITY FIVE FROM AGC MAIN SIGNED STONE PAGES FORWARDING OF
ANTI INFLATION REPORT BEING DELAYED FEW DAYS IN ORDER TO INCORPORATE EXPANDED
SUPPLY SECTION MATERIAL

ROGER B. DERBY, Capt, AGC, Adjutant

ELMER W. STONE, Captain, USMR, D.C.C.

1568

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1928

Declassified E.O. 12356 Section 3.3/NND No.

785015

RESTRICTED

6106

NE
12 JUNE 1944
3
Capt Stone, USAR

DEPUTY CHIEF COMMISSIONER

RESTRICTED

ROUTINE

ADJ

5750
YOUR FIVE SEVEN FIVE ZERO ZERO PAREN TO ADVISE DATE FILING FROM ADC MAIN SIGNED
STONE PAREN WILL DO

1567

L. T. MONTANE
1st Lt, A.O.D.
Adjutant

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RESTRICTED

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Declassified E.O. 12356 Section 3.3/NND No. 785015

CONFIDENTIAL

ACC MAIN

FREEDOM SIGNED SACMED

57500

JUNE 10/0555

N 114/10
CONFIDENTIAL

PRIORITY

CITE PHOEG

SOUTWARD REPORTS PROBABILITY SOME DELAY IN COMPLETING SUPPLY SECTION OF
INFLATION CONTROL REPORT. IF IT WILL FACILITATE MATTERS THIS HEADQUARTERS
IS WILLING TO CONSIDER AND FORWARD TO CCS A PRELIMINARY REPORT FROM WHICH
DETAILED SUPPLY SECTION IS OMITTED. IN VIEW OF URGENCY OF EARLY REPORT TO CCS
THIS PROCEDURE MAY BE DESIRABLE

DISTRIBUTION:

Action - Econ. Sec

Info - CA BR
DCC
File
Float

1566

CONFIDENTIAL

34

DISTRIBUTION LIST OF ANTI-INFLATION COMMITTEE REPORT

- 1 AFHQ G-5 with 20 Jun ltr
- 2 AFHQ G-5 with 20 Jun ltr
- 3 CAO Adv Hq AAI with 19 Jun ltr
- 4 - 53 AFHQ for Washington & London
- 54 Col Upjohn, Adm Sec
- 55 Mr. Grady, Econ Sec
- 56 Mr. Caccia, Pol Sec
- 57 Mr. Rebar, Pol Sec
- 58 Brig Lush, EC & MG Sec
- 59 Interior Sub-Com
- 60 Public Safety Sub-Com
- 61 Public Health Sub-Com
- 62 Legal Sub-Com
- 63 Education Sub-Com
- 64 Property Control Sub-Com
- 65 Monuments & Fine Arts Sub-Com
- 66 Captain Stone, A/CG
- 67 Ambassador Kirk
- 68 Sir Noel Charles
- 69 Captain Pence (Washington)
- 70 General Kume
- 71-78 Mr. Grady
- 79 Lt Col Sharp, Econ Sec
- 80 Requisition Division
- 81 Mining Division
- 82 Industry Sub-Com
- 83 Commerce Sub-Com
- 84 Agriculture Sub-Com
- 85 Food Sub-Com
- 86 " "
- 87 Finance Sub-Com
- 88 " "
- 89 Labor Sub-Com
- 90 Public Works & Utilities Sub-Com
- 91 Shipping Sub-Com
- 92 Transportation Sub-Com
- 93 Economic Section
- 94 " "
- 95 " "
- 96-105 General Humble (Hq AAI)
per WONG E. Podhajsk.
- 106 Comdr Darlington (per Capt Stone)
- 107 Captain Stone (16 Jul)
- 108 Col White for Col Upjohn (VP Adm Sec)
- 109 Col Foley, Finance Sub-Com
- 110-112 Political Sec for Sir Noel Charles
- 113 Col Fiaks, Dep Ex Com
- 114 Secy Gen (Archives)
- 115 Secretary of the Navy

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Mr. Antolini Economic Sec.

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D.

Q. M. C. Form 353 (Old No. 400)
Revised July 26, 1918

LIST OF PAPERS

File under No. 100

CURRENCY CONTROL

2

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
35) F58873	AFHQ	13 JUNE	C.C., ACC MAIN	Immediate public arrangement ration increase authorized
36) PA/P/395	Col. Monfort	14 "	Capt. Stone	Pl. discuss publicity campaign with PAB re ration increase
37) DAG/566	G-1(B), AFHQ	5 "	Hq AAI	Reasons for increase in bread ration. Also report sent to ACC in transport
38)	LLOYD + GLASSER	- MAY	Anti-Inflation Committee (Italy)	Points for discussion.
39) F60291	AFHQ SACMED	17 JUNE	ACC Main	Bread ration increase temporary
40) 6544	ACC Main	21 JUNE	AFHQ	Finding of Anti Inflation Report being delayed further to incorporate Supply Section
	Executive Head	25 JUNE	C.C.	

1564

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Declassified in 1995

105-15

Q. M. C. Form 100 (Old No. 400)
Revised July 29, 1918

LIST OF PAPERS

File under No. ~~40.~~
100-2OFFICE OF THE
SECRETARY
GENERAL

ALLIED ANTI-INFLATION COMMITTEE -- COMPOSITION OF, REPORT, ETC.

HQ ACC

SERIAL NUMBER	FROM	DATE	TO	SYNOPSIS
1) TAM 162	CCS	9 April	AFHQ	Need for Control of Inflation-Italy
2) F 42180	AFHQ	6 May	ACC	Lloyd is available to join
F 42337	"	6 "	"	Glasser in Italy.
3) ACC 4540	Finance	8 "	Mideast	Would appreciate Lloyd's help.
4) " 4541	"	8 "	Troopers	"". Programme in progress.
5) " 4545	"	8 "	AGWAR- Morgenthau	Asked for Lloyd. May Glasser stay?
6) SG 100	Doe	10 "	CC	Herewith Stone's & Monfort's nominations for Committee.
7) ACC 3989	Finance	14 "	AFHQ (for CCS)	Stabilization program re (1).
8) --	H. MacMillan	15 "	Gen MacFarlane	Lloyd going over.
9) ---	Chief Comm.	17 "	---	Appt of Inflation Committee.
10) CC/P/303	"	18 "	H. Macmillan	Lloyd is here. Answer to (8)
11) M 207	"	19 "	AFHQ	Have appointed special Committee.
12) --	"	20 "	VP Economic Sec	Why wasn't TAM 162 shown to me?
ES/11	VP Econ Sec	20 "	CC	Never saw it before.
13) --				Points for Discussion by Lloyd & Glasser.
14) DCC 100	Stone	12 June	Col Adams	Program for Inflation Control. Submit program of supply requirements.
15) CC/G/408	Gen MacFarlane	20 "	AFHQ	Agree to Committee's recommendation I applaud work of Stone, et al.
16) CC/P/399	Gen MacFarlane	19 June	E.H. Lloyd, Esq.	Thanks for help on Anti-Inflation Committee
17)	CAO, AFHQ	30 Jul 44	CCS	Comments on Report of Allied Anti-Inflation Committee (Italy)
G-5/100	Gen Spofford	16 Sep 44	A/CC, ACC	Provides copy of comments (above)
Stone	Stone	19 Sep 44	Econ Sec, Finan S/C	Provides copy of comments on report
	Stone	25 Sep 44	Gen Spofford	Acknowledges comments on report

1563

ES/hjp

25 September 1944

Brigadier General Charles M. Spofford, U.S.A.
Asst. Chief of Staff, G-5
Allied Force Headquarters

Dear General Spofford:

Receipt is acknowledged of your letter of 16 September, G-5/100, forwarding copies of letter, subject: "Comments on Report of Allied Anti-Inflation Committee (Italy)", dated 30 July.

It is regretted that copies of General Clark's comments were not made available earlier to the Commission.

Copies of General Clark's letter are being circulated to the sub-commissions concerned. With respect to para 3 of his letter, however, it may be stated that the first of a series of reductions of one-half of 1% in interest rates on bank loans and with similar reductions of the rediscount rate were introduced by the Italian Government on 10 September 1944 after full consultation with commercial bankers and the central bank and with their agreement. Aside from one newspaper article, this action has been favorably received.

Very truly yours,

ELDERLY W. STONE
Captain, USMR
Acting Chief Commissioner

1562

36 353

Ma. A.C.C. Sec'y Gen.

DISPATCHED

Date: 26 SEP 1944

Via: A.G. 1610

Initials: eh

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1934

Declassified E.O. 12356 Section 3.3/NND No.

785015

SECRET

HEADQUARTERS ALLIED CONTROL COMMISSION
Office of the Acting Chief Commissioner
APO 394

EWB/hjp

19 September 1944

TO: Economic Section
Joint Directors, Finance Sub-Commission

Having learned recently that comments on the Anti-Inflation Report of 19 June were forwarded by AFHQ, I have requested that the Commission be furnished with copies thereof. These have just been received and I am forwarding them to you for study and appropriate action, together with a draft reply. Will you kindly let me have your comments thereon, including the date on which the reduction in interest rates was made effective.

Stone

- 2 Incls:
- Incl 1 - Ltr from General Clark dated 30 Jul 44
 - Incl 2 - Draft reply to Col. Spofford, G-5

A 4(B) FTS

X-7

SN 279

Hq AGC, Secy Gen.
DISPATCHED
Date Recd 19 Sep 1944
Via
Initials

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mmp.
BRP

SECRET

1935

Declassified E.O. 12356 Section 3.3/NND No. 785015

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

248

18 Sept 1944
PRR

16 September 1944

SECRET

FILE: G-5/100

SUBJECT: Letter to C.C.A.C. Commenting on the Report of the Allied
Anti-Inflation Committee (Italy).

TO : Headquarters, Allied Control Commission, APO 394,
(Attention: Acting Chief Commissioner).

1. There is forwarded herewith copy of the letter, dated 30 July
1944, which was submitted by this Headquarters to the Combined Civil
Affairs Committee, Subject: "Comments on Report of Allied Anti-Inflation
Committee".

2. As of this date, no reply to the letter or subject Report has
been received by this Headquarters.

CHARLES M. SPOFFORD,
Colonel, G.S.C.,
Asst. Chief of Staff, G-5.

1 Encl.
As above.

1560

SECRET

17

SECRET

30 July 1944

SUBJECT: Comments on Report of Allied Anti-Inflation Committee (Italy).

TO: The Secretaries, The Combined Chiefs of Staff,
1901 Constitution Avenue,
Washington, D.C.
FOR: Combined Civil Affairs Committee.

1. The subject Report was prepared under the direction of the Allied Control Commission in accordance with instructions contained in TAM 162 of 9 April 1944. Copies of this Report were forwarded under cover of letter of 17 July (file G-5/100).

2. This Headquarters concurs in the recommendations of the Report except as indicated below. It should be noted (p.1) that the Allied Control Commission will lay the program as a whole in front of the Italian Government only after it has been approved by you.

3. The proposals on government financing and banking turn on the practical possibilities of reducing the entire structure of interest rates, including those on government debt, on bank loans, and on bank deposits. A determined effort to effect these reductions must be made by the Italian Government. But it is proper to bear in mind that very considerable difficulties will be encountered in view of the uncertainties in the present Italian financial situation and the strong inertia arising out of the fact that the existing structure of interest rates is thoroughly established.

4. The proposed supply program as outlined in Section IV is considered well-balanced and in line with practical possibilities. However, this program should be appraised as basically determined by the requirements of inflation control and is not intended to comprise an integrated industrial rehabilitation program. This program must, of course, be supported by requisitions for food and equipment. A portion of these requisitions have been screened by this Headquarters, and the Allied Control Commission has been instructed to prepare the balance of the detailed requisitions.

5. It is noted with approval that the food production program (particularly that portion related to the provision of fertilizers and insecticides) included in Section IV is expected to "ensure reduced food imports" (p.24). This expectation seems in contradiction to the earlier statement on p.22 that it is unsound to press for reduced food imports under present conditions. In the view of this Headquarters, however, the contradiction is more apparent than real. The agreed objective is to take all practicable steps to increase local production so as to make possible progressive reductions in imports. Detailed comments on certain aspects of the supply phase of the program are annexed hereto. 1554

6. The Report very properly asserts (p. 20) that "to argue which is the most important - to control supply or to control purchasing power - is no more

INCL

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profitable than to argue which blade of a pair of scissors does the cutting". The conclusions (Section V, p. 29) should be interpreted in this light and are not regarded as adequately representing the substance of the Report. Increased imports are an important element in the control of inflation and unless raw materials and equipment can be made available a certain deterioration in the situation is inevitable. However, it is realized by this Headquarters that imports into Italy must be held to a minimum of essential items and in quantities in line with available world supply, shipping, and limited port acceptance and distribution facilities. Moreover, although the Report concludes that most of the financial measures proposed therein cannot be effective in the near future, this Headquarters regards it as of utmost urgency that all feasible financial matters be taken to soak up purchasing power. As long as the Italian Government can continue to finance its deficits out of idle funds within the banking system, runaway, destructive inflation can be averted. If public confidence in the currency and in the Government's capacity to control the financial situation should ever be destroyed, the financial factors will become dominant.

7. The proposals made in Sub-Section 'E' (pages 27/28) concerning the establishment of an Allied Economic Council (ITALY), together with the reasoning adduced to support the recommendation that the Council should be formed, will be dealt with by this Headquarters. Until the examination of this section of the report by A.F.H.Q. is completed it is not to be assumed that the facts adduced to support the formation of the Council are necessarily correct, nor that machinery does not already exist to carry out the functions which it is desired to assign to the Economic Council. The appendix referred to in this section must therefore be disregarded.

8. It is noted that the question of troop expenditures is not raised in the report. It is believed that such expenditures constitute a factor in the inflationary situation which, while temporary, is of sufficient importance to justify consideration in connection with the report. Further study of the matter will be given in the theater and it is suggested that measures might also be considered in Washington and London whereby such expenditures may be reduced.

9. While this Headquarters concurs in the general recommendations as to taxation and revenue contained in Section III of the body of the report, it expresses no opinion on the recommendations set forth in the Appendix entitled "Reform of the Italian Tax System." It is believed that the implementation of the general recommendations in the body of the report must remain primarily a matter for the Italian authorities. Implicit in the development of the policy of tax rates and exemptions are a number of broad social and political questions which this Headquarters does not undertake to appraise.

For General WILSON:

J. G. W. CLARK, 1558
Lieutenant General
Chief Administrative Officer

Copy to:
British Chiefs of Staff.

ANNEX: Comments on the Supply Phase of the Anti-Inflation Program.

1. Section IV of the Report contains a series of supply recommendations designed to increase the quantity of goods available for sale, thus taking some pressure off the commodity market. The program as outlined reflects a clear grasp of the supply aspects of the inflation control problem in Italy. The following comments refer to specific statements and recommendations in the Section which are not entirely concurred in:

- (a) The statement (p. 21) that lack of caustic soda was responsible for the failure to refine large quantities of inedible oil is undoubtedly correct. However, the only caustic soda requisitions filed by the ACC (5 November) were for the manufacture of soap and not for the refining of olive oil.
- (b) The decision to process tomatoes for civilian consumption (p. 22) is heartily approved. However, despite the anxiety expressed by the ACC over the non-arrival of "small quantities of preserving and packing materials", requisitions were not received by this Headquarters until 9 June and were ~~xxx~~ then sent forward at once to AGHAR. Incidentally, this Headquarters called the attention of ACC on 26 April to the fact that 5,000 tons of tomatoes were being offered to non-civilian consumers in the Naples area, although ~~Imports~~ of foodstuffs for civilian use were continuing.
- (c) The fertilizer program (p. 24) was arranged so that phosphate rock from North Africa would be delivered to Italy beginning August 10th, the date specified by ACC. Ammonium nitrate from the United Kingdom and the United States were scheduled similarly. The delivery of phosphate rock has been indefinitely postponed (as of 25 July approx) because of operational priority for use of shipping facilities. The program will be reinstated at the earliest possible date.
- (d) As to industrial supplies, the Report implies (p. 25) that rehabilitation has lagged because coal has not been available. The problem of rehabilitation of industry is considerably broader than the allocation of fuel, and except for the mining and fertilizer industries, the ACC has not yet submitted an integrated industrial rehabilitation program. It is in preparation with much of the fact finding work already completed. This portion of the Report is confined to short-run possibilities of quickly repairing certain production facilities. Within the framework of inflation control it is very acceptable.

1959

Declassified E.O. 12356 Section 3.3/NND No. 785015

DRAFT

ERS/hjp

Colonel Charles H. Spofford, G.S.C.
Asst. Chief of Staff, G-5
Allied Force Headquarters

Dear Colonel Spofford:

Receipt is acknowledged of your letter of 16 September, G-5/100, forwarding copies of letter, subject: "Comments on Report of Allied Anti-Inflation Committee (Italy)", dated 30 July.

It is regretted that copies of General Clark's comments were not made available earlier to the Commission.

Copies of General Clark's letter are being circulated to the sub-commissions concerned. With respect to para 3 of his letter, however, it may be stated that the first of a series of reductions of one-half of 1% in interest rates on bank loans and with similar reductions of the rediscount rate were introduced on _____ without resistance.

Very truly yours,

ELBERT W. STONE
Captain, USMR
Acting Chief Commissioner

1556

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Declassified E.O. 12356 Section 3.3/NND No.

785015

PERSONAL

FRMM/rj

NF

Ref. CC/E/399.

19th. June, 1944.

Many thanks for yours of 15th. inst. together with your telegram to the Treasury.

2. You will have seen that after one bad moment, during which the initial sanction to increase the bread ration was cancelled, we eventually got the O.K. and the increase takes effect from July 1st.. As you can well imagine this has been given an excellent reception here.
3. I do want to say how very grateful I am to you for your invaluable help on the committee and equally for arranging for Jackson and Murray to come along and give us their excellent practical advice. The harvest is starting well and I do hope that your efforts to get me additional harvesters through Cairo will succeed.
4. The problem gets greater daily in all sorts of respects as our advance moves rapidly Northwards. One of my new headaches is the harvesting in areas suffering from temporary dislocation as the war passes over them.
5. Once again ever so many thanks for your very great help and hoping very much we may cooperate again one of these days.

NOEL MASON MACFARLANE
Lieutenant-General,
Chief Commissioner.

E.H. Lloyd, Esq.,
c/o Minister Resident in the Middle East,
CAIRO.

cy SF

1555

Ho	AGC - Secy Gen.
DISPATCHED	
Date - Time	21 June 1210
Via	NO ME
Initials	OFF

16

CONFIDENTIAL

PMB/rj

054143
7 JUL 1944Ref. CC/3/408.

20th. June, 1944.

Despatched 8 July 44

MEMORANDUM.

TO: Allied Force Headquarters.
(ATTENTION: CC.)

1. I forward herewith two copies of a report by a Committee, under the chairmanship of Captain Ellery S. Stone USNR, Deputy Chief Commissioner, Allied Control Commission, set up by me to suggest measures for checking the increasing tendency towards inflation in liberated Italy. I am in agreement with the report including the Committee's recommendations.
2. I would be glad if you would give sanction, or where necessary obtain it from higher authority, to such of the recommendations as may require sanction before they can be put into effect.
3. I wish to record my high appreciation of the work of Captain Stone as chairman and of all the members of the Committee in a task which entailed lengthy and detailed investigation and deliberation. I wish also to express my thanks to the U.S. and British Treasuries for making available the services of Mr. Glasser and Mr. Lloyd, both of whom made a big contribution to the results achieved by the Committee.

*CC 100. Date 8 July 44*MORL EASON MACFARLANE
Lieutenant-General,
Chief Commissioner.

Copy to: Headquarters, A.A.I..

155

1000 15

HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 394

EWS/sk

DCC 100

12 June 1944

SUBJECT: Programme for inflation control in Italy.

TO : Colonel D. S. Adams,
Economic Section.

1. The first action of the Anti-Inflation Committee set up by the Chief Commissioner on 17 May 1944, was to form three sub-committees with full power of co-optation to study the subjects of;

- a. wages and price policy;
- b. Financial policy;
- c. Supply

as related to the question of inflation control.

2. The task of obtaining the necessary data on the supply side was given to Colonel Fiske, who was instructed to report on;

- a. the rehabilitation of agricultural and industrial production of liberated Italy; and
- b. the import programme.

So far as is known, Colonel Fiske, whose duties have since taken him elsewhere, confined his approach to the Industry and Commerce Sub-Commission, with the result that the report of his sub-committee was found to cover only a small part of the total programme.

3. In your absence, Lt. Col. Sharp of the Economic Section arranged for the other interested Sub-Commissions of the Economic Section to meet with the Anti-Inflation Committee. As a result of the meetings with this group, the Committee came to the conclusion that some of the representatives seemed unaware of the actions of other Sub-Commissions. As an example of the apparent lack of coordination, it was found that the existence of the list of surplus products laid before the Allied Forces Local Resources (Italian) Board was known only to a few. It seems to me that Sub-Commissions which have the responsibility of submitting requisitions for imports should be fully conversant with the type and amount of supplies available in this country.

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4. It is clear that with the rapid extension of liberated territory it would be impossible and inappropriate to submit an import programme in detail. Further, the Committee concur with the suggestion in the cable 57500 of 10 June from G-5 AFHQ that the report of the Anti-Inflation Committee should not be delayed pending the completion of the supply section. However, both London and Washington are most anxious to receive the full report as soon as possible. It is therefore requested that you submit to me at the earliest possible date, a programme of supply requirements to conform with the object of achieving the control of inflation.

5. As soon as possible, I will make available to you other sections of the Committee's report in order to provide the background for your contribution. I attach copies of the memoranda submitted by various Sub-Commissions of the Economic Section.

ELLERY W. STONE
Captain, USNR
Chairman, Anti-Inflation Committee

1552

1432

ALLIED INFLATION COMMITTEE (ITALY)

Points for Discussion Submitted by Mr. Glasser and Mr. Lloyd

1. Diagnosis of Inflationary Trend Since July 1, 1943.

a. Government has spent	28 billion lire
Army has spent	15 "
Total	43 "
b. As a rough guess, during same period bank deposits have increased	30 billion lire
Notes in circulation have increased	12 "
Total	42 "

c. In July 1943 bank deposits were probably about 40 billion and notes in circulation about 30 billion making a total of 70 billion. There has thus been an increase of deposits and notes of the order of 60% during the last 10 months.

d. The Government deficit is now running at about three billion per month and Allied expenditure at 1.8, total 4.8 which represents an increase of about 4% per month in total means of payment.

e. Retail food index has increased about seven times since July 1943. Wages have probably not more than doubled. The price of wheat has recently been increased to about three times the level ruling in November 1943. The food index after rising six times during the last six months of 1943 has remained fairly stable during the first four months of 1944. The main contributing factor has been the increase in the bread ration early in February.

f. In the light of the above, the situation appears dangerous but by no means desperate. The public are willing to hold cash and savings, and there is no wide-spread distrust of money. With new money being pumped in at the present rate, a most dangerous situation would arise if people became unwilling to hold money and bought goods at any price.

g. If the peasants in particular were to refuse to take paper money and preferred to hold their crops, it would be necessary to increase imports enormously in order to feed the towns and prevent a runaway inflation.

2. Some remedial measures.

c. In July 1943 bank deposits were probably about 40 billion and notes in circulation about 30 billion making a total of 70 billion. There has thus been an increase of deposits and notes of the order of 60% during the last 10 months.

d. The Government deficit is now running at about three billion per month and Allied expenditure at 1.8, total 4.8 which represents an increase of about 4% per month in total means of payment.

e. Retail food index has increased about seven times since July 1943. Wages have probably not more than doubled. The price of wheat has recently been increased to about three times the level ruling in November 1943. The food index after rising six times during the last six months of 1943 has remained fairly stable during the first four months of 1944. The main contributing factor has been the increase in the bread ration early in February.

f. In the light of the above, the situation appears dangerous but by no means desperate. The public are willing to hold cash and savings, and there is no wide-spread distrust of money. With new money being pumped in at the present rate, a most dangerous situation would arise if people became unwilling to hold money and bought goods at any price.

g. If the peasants in particular were to refuse to take paper money and preferred to hold their crops, it would be necessary to increase imports enormously in order to feed the towns and prevent a runaway inflation.

2. Some Remedial Measures.

a. Increase Government revenues by speeding up collections and increase taxes. Reform of income tax should be put in hand as soon as Rome is occupied.

b. Increase home production of consumer goods, fertilizers, etc.

c. Conversion of Government debt and reduction of rate of interest.

d. Stimulation of loans and savings.

e. Essential to stabilize money wages, but in order to achieve this it may be necessary to increase the caloric content of the food ration (rations now supply only about 800 calories, the balance being obtained at black market prices).

f. Price control measures which cannot be enforced are useless. Low prices should be maintained for bare essentials that can be rationed; e.g., food and clothing. Less essential goods which cannot be rationed should be taxed; i.e., the Government should appropriate any difference between landed cost or cost of production and the market price.

g. The most important industries to get going are textiles and shoes. The Government should sponsor the production and distribution of utility cloth. Minimum import program of cotton, tanning materials, machinery, etc.

h. To get production going (and thus save shipping) probably with power. (Import program for coal and oil).

1947

Declassified E.O. 12356 Section 3.3/NND No.

785015

1220

134

ALLIED INFLATION COMMITTEE (ITALY)

Points for discussion submitted by Mr. Glasser and Mr. Lloyd.

1. The monetary elements of the present situation. From 1 July 1943 to 31 March 1944:

(a) The Italian Government has spent The Allied armies and soldiers have spent	28 billion lire 15 " "
(b) Currency circulation has increased	43 " "
(i) M. Lire	17.5
(ii) Metropolitan Lire (1)	3.0
Tax receipts	20.5 " "
Net investment in Government bonds and postal savings	3.0 " "
Bank deposits have increased (balancing item only - independent calculation based on Naples and Bari figures indicate about 12 for whole area.)	1.5 " "
(1) estimated from expenditures of Italian Government from funds "supplied from Rome before occupation".	19.0 " "
	43.0 " "

All of these figures refer to total area now occupied by Allied armies. Some of the Government expenditures were therefore Fascist or German expenditures. All figures except "Allied expenditures" are subject to wide margin of error since available Government figures include duplications and other figures do not exclude inter-bank transactions and similar errors.

(a) In July 1943 bank deposits were probably about 30 to 40 billion and notes in circulation were probably not more than about 20 billion, making a total of 50/60 billion. There has thus been an increase of deposits and notes of the order of 70 to 80 per cent during the nine months to March 31st.

(d) The Government deficit is now running at about three billion per month and Allied expenditure at 1.8, total 4.8, which represents an increase of about 5% per month in total means of payment, amounting to approximately 90/100 billion.

(e) Retail food index including substantial and necessary purchases in black or uncontrolled markets, has increased about seven times since July 1943. Wages have probably not more than doubled. The price of wheat has recently been increased to about three times the level ruling in November 1943. The food index after rising sixfold during the last six months of 1943 has remained

Postal Savings

Bank deposits have increased (balancing item only - independent calculation based on Naples and Bari figures indicate about 12 for whole area)

	1.5	"	"
(1)	19.0	"	"
	43.0	"	"

All of these figures refer to total area now occupied by Allied armies. Some of the Government expenditures were therefore Fascist or German expenditures. All figures except "Allied expenditures" are subject to wide margin of error since available government figures include duplications and other figures do not exclude inter-bank transactions and similar errors.

(c) In July 1943 bank deposits were probably about 30 to 40 billion and notes in circulation were probably not more than about 20 billion, making a total of 50/60 billion. There has thus been an increase of deposits and notes of the order of 70 to 80 per cent during the nine months to March 31st.

(d) The Government deficit is now running at about three billion per month and Allied expenditure at 1.8, total 4.8, which represents an increase of about 5% per month in total means of payment, amounting to approximately 90/100 billion.

(e) Retail food index including substantial and necessary purchases in black or uncontrolled markets, has increased about seven times since July 1943. Wages have probably not more than doubled. The price of wheat has recently been increased to about three times the level ruling in November 1943. The food index after rising sixfold during the last six months of 1943 has remained fairly stable during the first four months of 1944. The main contributing factor has been the increase in the bread ration early in February.

(f) In the light of the above, the situation appears dangerous but by no means desperate. The public are willing to hold cash and savings, and there is no wide-spread distrust of money. With new money being pumped in at the present rate, a most dangerous situation would arise if people became unwilling to hold money and bought goods at any price.

(g) If the peasants in particular were to refuse to take paper money and preferred to hold their crops, it would be necessary to increase imports enormously in order to feed the towns and prevent a runaway inflation.

2. Programme for immediate action

(a) Formulation of a price programme which will take into account the need for government revenue, the gradual elimination of subsidies, the maintenance of controlled prices and wages, and the elimination of the black market.

(b) Stabilization of money wages, but in order to achieve this it may be necessary to increase the calorie content of the food ration (ration now supply only about 800 calories, the balance being obtained at black market prices).

- 2 -

(c) The organization of a committee which will administer price policy; which will act in advisory capacity on all price questions under a procedure which will not remit price questions arising in any part of ACC/AMS to be decided without passing through the price policy committee.

(d) The immediate formation of a committee to formulate an import programme (other than for basic foods).
(Based on CAL Airgram 5 of Nov 30, 1943.).

(e) The immediate formation of a programme of industrial rehabilitation for civilian needs - to be correlated with the import programme. The emphasis to be placed on production of shoes, textiles, fertilizer and small tools.

(f) An answer prepared immediately to question asked in OCS cable of April 17 on stabilization.

(g) Discussion of Financial Proposals:

Expenditure policies of the Italian Government.
Reform of tax system and tax administration.
Emergency anti-inflation measures.
Public Debt and banking reform.

Declassified E.O. 12356 Section 3.3/NND No.

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Reform of tax system and tax administration.
Emergency anti-inflation measures.
Public Debt and banking reform.

1218

#13

HEADQUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SECTION
APO 394

20 May 1944
JED
DSA/ml

ES/11

20 May 1944

MEMORANDUM TO : Chief Commissioner.

1. Referring to TAM 162, advise that I did not see a copy till this morning, when I read the copy attached to your memorandum.
2. I received 30518 FMES, which is FREEDOM'S message to us on the subject matter of TAM 162. Another copy of this message went to the "Front File" so you may have seen this cable. Another copy went to the Deputy Chief Commissioner.
3. I mentioned it at one of your Monday meetings and, you may recall, it was suggested by Capt. Stone and agreed that our cable in reply covering our program should wait until the return of Colonel Graffety Smith. The 3989 was a cable originated by Finance Sub-Commission and covered a "tentative formulated" program including Finance Sub-Commission's suggestions on the Government financial matters only.
4. While this covers only a part of the subject, it was held up for a while and then, on the urgent request of Colonel Foley, that it should be sent to Algiers promptly and without further delay in order that Finance Sub-Commission might have the benefit of suggestions as requested in their signal, I released the message. The message is general in nature and I understand from Colonel Graffety Smith, was well received in Algiers. I regret very much that I failed to show you this cable before releasing.
5. In regard to the matters other than strictly finance, advise that Mr. Wadleigh, one of Mr. Grady's advisors, has been working on this anti-inflation program in the Economic Section and his suggestions are being made available to your Anti-Inflation Committee.

D. S. Adams
D. S. ADAMS
Colonel, C.E.
Executive Officer
Economic Section.

1547

12

✓
Vice President
Economic Section

Why have I never
been shown Tan 162
and why was I not
consulted before our
3989 issued?

Wm 20 17 12

1954

Declassified E.O. 12356 Section 3.3/NND No.

785015

SECRET

M207

GEN MACFARLANE (CHIEF COMB)

19 May 1944

SECRET

v. 16

PRIORITY

CAPT. STONE

AFHQ

I HAVE APPOINTED A SPECIAL COMMITTEE CALLED QUOTE ALLIED ANTI DASH INFLATION COMMITTEE PARAH ITALY PARAH END QUOTE TO RECOMMEND ALL MEASURES TO COMBAT INFLATION PD CHAIRMAN CAPTAIN BILLY W STONE CMA USNR PD MEMBERS CMA COLONEL A P CHAFFET DASH SMITH CMA COLONEL E H FOLEY JR CMA MISTER H GLASSER CMA MISTER E M R LLOYD CMA COLONEL G WATSON CMA COLONEL N E FISKE PD PARA PARAH TO AFHQ FOR MOS CMA BRITISH MINISTER RESIDENT AND AMERICAN POLITICAL ADVISER FROM JCS HEAD FROM MACFARLANE PERSONAL PARAH AT ITS FIRST MEETING CMA THE COMMITTEE WAS STRONGLY OF THE OPINION THAT THE ACTION RECOMMENDED IN MY M ONE NINE FOUR OF ONE TWO MAY IS INDISTINGUISHABLE TO CONTROL OF INFLATION PD IT RECOMMENDED TO ME THAT THE INCREASE IN THE BREAD RATION BE INTRODUCED SOONEST IN ORDER TO BREAK THE BLACK MARKET PRICE AND THEREBY ENCOURAGE THE AGRARIANS PD THE HARVEST BEGINS ABOUT JUNE FIRST PD PARA THE COMMITTEE ATTACHED PARAMOUNT IMPORTANCE TO PREVENTING FURTHER RISE IN WAGES AS CENTRAL POINT OF ANTI INFLATION POLICY PD AT PRESENT WAGE BARRIERS ARE COMPELLED TO PAY BLACK MARKET PRICES TO SUPPLEMENT RATION OF TWO HUNDRED GRAMS AND IF THIS CONTINUES IT WILL BE IMPOSSIBLE TO RESIST DEMANDS FOR INCREASED RATES PD PARA

- 1 -

SECRET

1545

SECRET

MR07, 12 MAY 1944, to AFHQ, (cont'd)

AS POINTED OUT IN TELEGRAM M ONE NINE FOUR IF BLACK MARKET IS BROKEN AND
 AMASSING PROGRAM IS FULLY SUCCESSFUL GMA IMPORT REQUIREMENTS FOR WHEAT MAY
 NOT BE SUBSTANTIALLY INCREASED PD ON THE OTHER HAND GMA IF RATION IS NOT INCREASED
 AND BLACK MARKET CONTINUES UNRATED GMA THERE IS GRAVE RISK OF PARTIAL FAILURE
 IN AMASSING PROGRAM WHICH WILL REQUIRE SUBSTANTIAL INCREASE IN WHEAT IMPORTS
 PD PARA IN VIEW OF THE URGENCY OF OPINION OF MY COMMITTEE GMA UNLESS I
 RECEIVE SPECIFIC INSTRUCTIONS TO THE CONTRARY GMA I PROPOSE TO ANNOUNCE WITHIN
 TEN DAYS THAT RATION WILL BE INCREASED TO THREE HUNDRED GRAMS AS OF JULY FIRST
 GMA WHICH IS THE EARLIEST DATE THAT SUPPLIES IN SIGHT WILL PERMIT PD I HAVE
 NATURALLY DISCUSSED THE INFLATION DANGER WITH SEVERAL MEMBERS OF THE ITALIAN
 GOVERNMENT AND ALL REGARD AN INCREASE IN THE WHEAT RATION AS A DIME QUA NON
 AROUND ANY PREVENTIVE MEASURES WHICH MAY BE TAKEN

content and classification
 authenticated by:

ROBERT A. DUE
 Major, A.G.D.
 Secretary General

DISTRIBUTION:

Col. A.P. Griffiths-Smith
 Col. A.E. Foley, Jr.
 Mr. H. Glasser
 Mr. E.M.B. Lloyd
 Col. G. Upjohn
 Col. H.E. Fiske

1956

Declassified E.O. 12356 Section 3.3/NND No. 785015

CONFIDENTIAL

YMM/rj

Ref. CC/P/303.

18th. May, 1944.

Lloyd has arrived and has given me your letter.

2. I had already appointed a committee to consider the inflation question and make recommendations to me. Its composition is as follows:-

Captain Hilary W. Stone, USNR.
Colonel A.F. Grafftey-Smith.
Colonel E.H. Foley, Jr. AUS.
Mr. H. Glasser.
Mr. E.M.P. Lloyd.
Colonel N.E. Fiske, USA.
Colonel G. Upjohn.

3. I am glad to hear that you hope to come over about the end of next week and the Committee should have made considerable progress by that time. I am urging them to get on with their job with maximum speed.

4. I wired you on the P.W. question and hope you will be able to put us properly into the picture here. We are entirely without official information as to what is being done.

5. Sooner or later I feel that we will have to tell the Italian Government exactly what we are doing. If the action of HMG and USG has been coordinated and is in fact an Allied solution I would naturally deal with the question with Badoglio myself. If on the other hand HMG are taking action on their own and USG are similarly taking independent action then it would seem preferable that the matter should be dealt with by Noel Charles and Alexander Kirk.

NOEL MASON MACFARLANE,
Lieutenant-General
Chief Commissioner

The Rt. Hon. Harold Macmillan, PC, MC, MP,
British Resident Minister,
A. F. H. Q..

Cy 8f. rmy

15/3
10

DIRECTIVE

SUBJECT: Appointment of a committee to consider the existing financial situation in Italy and to make recommendations as to the measures which should be adopted to check the present tendency towards inflation.

1. The following committee is hereby appointed. It will be known as the Allied Inflation Committee (Italy):-

Chairman - Captain Ellery W. Stone, USNR.

Members - Colonel A.P. Graffey-Smith.

Colonel E.H. Foley, Jr.

Mr. H. Glasser.

Mr. E.M.H. Lloyd.

Colonel G. Upjohn.

Colonel N.E. Fiske.

2. Terms of Reference :-

To suggest any measures they consider necessary to stop the existing tendency towards inflation in Italy's currency.

3. The Committee will carry out its task as expeditiously as possible.

4. The Committee will report to the Chief Commissioner.

5. The Committee will meet at such times and places as the Chairman may

Chairman - Captain Ellery W. Stone, USNR.

Members - Colonel A.P. Graffitt-Smith.

Colonel E.H. Foley, Jr.

Mr. H. Glasser.

Mr. E.M.H. Lloyd.

Colonel G. Upjohn.

Colonel N.E. Tiske.

2. Terms of Reference :-

To suggest any measures they consider necessary to stop the existing tendency towards inflation in Italy's currency.

3. The Committee will carry out its task as expeditiously as possible.

4. The Committee will report to the Chief Commissioner.

5. The Committee will meet at such times and places as the Chairman may direct.

6. The Chairman has the power to call in evidence any American, British or Italian personnel. As may be found necessary, the Chairman may co-opt any British or American personnel in Italy.

17th. May, 1944.

(Sgd) NOEL MACFARLANE
NOEL MASON MACFARLANE,
Lieutenant-General,
Chief Commissioner.

Certified a true copy.

Robert E. Doe
ROBERT E. DOE
MAJOR, A.C.B.

Sec'y General

Only to Capt Stone

By 18.6.44



#9

1939

Declassified E.O. 12356 Section 3.3/NND No.

785015

Answered
Hand

cf 716

Office of the Resident Minister
at Allied Force Headquarters,
ALGIERS.

PERSONAL.

15th May, 1944.

My dear General

This is to introduce to you
Mr. E.M.H. Lloyd. Of course you know all about
him. We have only had a very short time together
here and I have arranged for him to go over in
General Wilson's plane.

The kind of timetable that we had in
mind was that by the end of next week things might
be ripe for a final meeting to which I would try to
come and bring over the chief representatives of
this Headquarters concerned. This will avoid
having to send your recommendations to General Wilson
and thence to the Chiefs of Staff, but will get
everything tied up so far as the Mediterranean
Theatre is concerned in a single meeting. I hope
very much, therefore, that these arrangements can
be made.

Yours ever

Harold Macmillan

Harold Macmillan.

Lieutenant-General

Sir Noel Mason MacFarlane, K.C.B., D.S.O., M.C.

See cc/10/303

1541

13 A

SECRET

ACC MAIN 3989

HEADQUARTERS ALLIED CONTROL COMMISSION

OUTGOING CABLE

14 MAY 1944

ACC MAIN (Finance Sub-Commission)

SECRET

ROUTINE

VAPOR 30

POLICY

TO: AFIR FOR AGS

Transmission of the following to CCS for CCAC is requested.

Reference TAM 162 dated 9 April 1944. Financial section of the stabilization programme as tentatively formulated consists following features:

1. Institute expenditure accounting control and establish standards of expenditure to reduce budget deficit including elimination of unnecessary subsidies and payments to individuals.
2. Simplify tax system to generalize income tax and excess profits tax and increase revenue through higher progressive rates.
3. Reorganize the administrative tax procedures to eliminate arbitrary elements and exemptions and to obtain accurate reporting.
4. Institute emergency anti-inflation revenue measures:
 - (a) Currency conversion accompanied by anti-inflationary tax on liquid assets with progressive scale of taxation. This programme would be applied when the ~~whole~~ whole of Italy is liberated and the inflationary movement has reached its peak since such programme can be applied only once.
 - (b) temporary suspension of commodity taxation with the utilization of existing government monopolies and trade controls to exact profits for governmental revenue and to absorb profits arising out of inflationary situation including exports, imports and selected items of domestic production. Programme can be initiated immediately but results will be greatest during the early stages of reconstruction and when the inflationary danger will be reaching a maximum.
 - (c) Special agricultural taxes to strike at the greatest accumulation of inflationary profits, and to coordinate with efforts to increase production, rationing, unassing and price control programmes.
 - (d) special discriminatory penalty taxes amounting to confiscation of property of enemies and violators of economic regulations.
5. Reorganization of public debt structure to eliminate routine borrowing from central bank, initiate bond issues to the banks and public, increase the proportion of long term debt, lower interest

S E C R E T

rates, publicize information concerning public debt and its burden.

5. Reorganization of banking structure to give government full control over extension of credit in order to eliminate borrowing for speculative purposes during emergency, provide private banking facilities to coordinate with economic programmes of the government and to lower the arbitrarily high interest rate structure.
7. Establishment of standards and principles of price control policy to coordinate with other aspects of economic programme.
8. Orientation of government towards establishment of stability in the exchange rate of the lira with recommendations for appropriate control of imports and exports and policy on remittances. Suggestions on the outline presented will be very helpful if given to us before completion. Expected final programme will be completed about 20 May and will be presented to you for approval before presentation to Italian Government.

L. T. MONTAMP, JR
2nd Lt, AGD
Adjutant

HEADQUARTERS ALLIED CONTROL COMMISSION
Office of the Secretary General
APO 394

RED, dfe

SG 100.

10 May 1944

MEMORANDUM TO: Chief Commissioner

Attached are nominations for Inflation Committee from Captain Stone and Colonel Monfort. Lord Stansgate reports that he has no nominations. I have prodded Brigadier Lush, Colonel Adams and Mr. Reber for theirs and will send them in as soon as they are submitted.

ROBERT E. DOE
Major, A.G.D.
Secretary General

1532
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1963

Declassified E.O. 12356 Section 3.3/NND No. 785015

REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Office of the Deputy Chief Commissioner
APO 394

PSB 277
9 MAY 1944

EWS/hjp

NF
10/10/44

9 May 1944

To: General MacFarlane

Pursuant to your request, there is set forth below my suggestions for membership on your proposed Inflation Committee. If Mr. Grady were here, I would suggest that he be Chairman of the Committee, and that he appoint the members. In his absence, I suggest the following:

Col. A. P. Grafftey-Smith, Finance Sub-Commission
Col. E. H. Foley, Jr., Finance Sub-Commission
Col. D. S. Adams, Acting Head Econ. Sec.
Col. J. T. R. Bain, Labor Sub-Commission
Col. W. P. Evans, Industry & Commerce Sub-Com.
Mr. Julian Wadleigh, Mr. Grady's Staff
(Economist, Federal Reserve Board)
Col. Gerald Upjohn, Legal Sub-Commission

100-

I strongly urge Col. Grafftey-Smith as chairman, as being the officer best qualified to head a committee to deal with this subject.

E.W.S.

46

May. 1944

June

8th. May, 1944.

TO: Chief Commissioner.

SUBJECT: Inflation Committee.

Captain Ellery W. Stone, Deputy Chief Commissioner. (ex officio)
Colonel D.S. Adams, Deputy Vice-President, Economic Section.
Colonel A.P. Grafftey-Smith, Finance Sub-Commission.
Colonel W.H. Foley, Jr., " " "

(Joint Directors of the Finance Sub-Commission
to be assisted by Mr. Glasser, American and
Mr. Lloyd, British).

Group-Captain C. Benson, A.M.G. 8th. Army.
Guide Jung.

(This suggestion may sound like a bombshell but
Jung's advice would be invaluable).

As Chairman I suggest Colonel A.P. Grafftey-Smith.

June

1537

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1965

Declassified E.O. 12356 Section 3.3/NND No.

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4545

ACC MAIN (FINANCE SUB-COMMISSION)

MAY
8 XXXX 1944

SECRET

VAPOR 30

PRIORITY

POLICY

ACTION (Action)

FREEDOM (Info)

FOLLOWING IS PARAPHRASE OF CABLE RECEIVED FROM TROOPERS
 FOR MORSETHAU
 PAREN TO ACTION REPEATED AFTER FOR MGS FROM ACC MAIN SIGNED MACMILLAN PAREN IT IS
 UNDERSTOOD THAT GLASSER FROM UNITED STATES TREASURY AT PRESENT STUDYING INFLATION IN
 ITALY PD SUGGESTION MADE BY GRAFTY SMITH THAT HELPFUL IF BRITISH EXPERT COULD JOIN
 GLASSER FOR FEW WEEKS AND SUBMIT JOINT REPORT PD LLOYD OF CAIRO RESIDENT MINISTER
 STAFF HAS BEEN CLOSELY CONNECTED WITH MIDDLE EAST ANTI INFLATION MEASURES AND HAS
 CONSIDERABLE EXPERIENCE IN FINANCE PD LLOYD AVAILABLE CAIRO IMMEDIATELY TO PROCEED BY
 AIR AND TO REMAIN FOR ONE MONTH PD CONSIDERED THAT LLOYD'S COOPERATION WOULD BE VALUABLE
 PD IF YOU ARE IN ACCORD CABLE MINISTER RESIDENT WHO IS AGREEABLE TO PARTING WITH LLOYD
 FOR ONE MONTH MESSAGE ENDS PD FOLLOWING IS PARAPHRASE OF REPLY WHICH HAS BEEN
 FORWARDED PD WITH ASSISTANCE OF GLASSER FINANCE SUBCOMMISSION IS PREPARING FINANCIAL
 ANTI INFLATION PROGRAMS FOR SUBMISSION TO OCS PD ASSISTANCE OF LLOYD WOULD BE WELCOMED
 BY FINANCE SUBCOMMISSION PROVIDED AVAILABLE PROCEEDED AT ONCE PD WE SHALL REQUEST THAT
 GLASSER WHO WAS TO HAVE LEFT SHORTLY REMAIN PENDING ARRIVAL OF LLOYD

 LOUIS T. MONTAG JR.,
 1st Lieut. 153P
 Adjutant.
SECRET
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 59

185015

454-1

8 MAY 1944.

VAPOUR 30

JULEY

FINANCIAL ANTI INFLATION PROGRAMS BEING PREPARED FOR

A15H10

PROVIDED HIS COMING COME AT ONCE IF WHILE GLASSER WAS IN TO LEAVE SHORTLY WE SHALL

REQUEST THAT HE REMAIN PENDING LLOYDS ARRIVAL

153

S E C R E T

4 11

785015

SECRET

ASID

ADD NAME (STANDARD HIGH-CLASSIFIED)

8 MAY 1944

SECRET

YAGR 30

PRIORITY

WILE

URGENT (MAY 14) SECRET (INFO)

_____ WAS OFFICE HAVE DISCOVERED THAT LLOYD HENRY IS
AVAILABLE TO ASSIST FINANCIAL BUREAU IN THE PREPARATION OF FINANCIAL AND
ESTIMATE PROGRAMS TO PARTIAL TO RETIRE FOR BOSTON OFFICIALS. BOSTON OFFICIALS
AND ARE NOW FROM ASSOCIATE SIGNED MAGARLANE PAREN CLARENCE PER OF TOLSON
IN THEIR ADDRESSING IN THIS CASE TO BE CONSIDERED VERY IMPORTANT TO HAVE FACTS
AND THE OFFICE CLARENCE TO REMAIN FURTHER ADVISING ARRIVAL. IT PRESUMES
SUGGESTS LLOYD CONTACT BOSTONIAN ADVISED BEFORE REPORTING THIS HEADQUARTERS

L. T. MONTAGUE, Jr.
1st Lieut, AGI,
Adjutant.

SECRET

153

37

1948

Declassified E.O. 12356 Section 3.3/NND No.

785015

SECRET

Sec Gen

8848

R 2/7
SECRET
NONE
FREEDOM SIGNED SEC
ACC MAIN FOR GENERAL MASON MACFARLANE

HEADQUARTERS
7 MAY 1944
A.C.C.

MAY 6/2330
MAY 6/1743
F 42337
FINES

Rec'd 7 May 16 15
By JLB

FURTHER TO OUR F 42180 OF TOMAYS DATE, IF YOU APPROVE VISIT OF MISTER LLOYD, WILL
YOU PLEASE SECURE THAT HE VISITS MISTER MAXWELLIAN BEFORE REPORTING TO YOUR HEADQUARTERS.

ACC DIST

ACTION ECON SEC (3)
INFO SEC GEN
SEC OC
CA IN
FILE
FIAT

SECRET

1538

24 5

~~SECRET~~
SECRET

113/12 113/36

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EXI 0

SECRET AND JAG

PATINA FOR BUREAU. WAGON BUREAU/ABE



8821

MAY 05 1940

MAY 05 1940

742180

HC ACC. APO 324 21819

Rec'd 11 May 11 40
By Hdr

FOLLOWING REPORTS HAVE BEEN RECEIVED FROM THOMPSON. "UNDERSTAND
CLASSIFICATION OF UNITED STATES THREATS NOT IN ITALY PROVING INFLATION.
PAPA REPORTS THAT HE BELIEVES THAT IF WOULD BE USED IN THE
REPORT COULD BEIN CLASSIFIED FOR A PERIOD AND THEN COULD BEIN
JOINT REPORT. PAPA BELIEVES AN SPANISH AIRCRAFT CRASHED IN ITALY
HAS CONSIDERABLE EXPERIENCE AND HAS BEEN CLOSELY ASSOCIATED
WITH ANTI-INFLATION MEASURES IN ROME. HE COULD BEIN FROM ITALY
IMMEDIATELY AND COULD BE AVAILABLE FOR A PERIOD. PAPA BELIEVES
OCCUPATION COULD BE VALUABLE. IF YOU AGREE, REQUEST AIRCRAFT
RESIDENT AND IN ORDER TO BEIN LLOYD 1 MONTH. PAPA VISIT
APPROVED BY THE TRANS-ATLANTIC SUBJECT TO YOUR CONSENTION

END PAGE

Action - Encl 3

Info - Sec Gen

DCC

CAB

File

Float

SECRET

Economic
Section

I agree but is planned
going to be done

1532

Wamp 2

785015

SECRET

WAR

109/09

Filed: 092129Z

ATTC N 26/10
100215/3
btb

ROUTINE

FROM: AGWAR

TO: WILSON REPEATED REQUEST, INFORMATION: BRITISH OFFICE OF CRAFT

REF NO THIS MESSAGE: WZ-20941, 9 April 1944

FOR PIRCS FROM OPS

CITE: COAD

TAX 162.

Control of Inflation in ITALY.

A serious view is taken here of the critical nature of inflationary developments in ITALY. It is recognized that political and military conditions make it difficult at this time to introduce and administer measures to counter effectively the inflationary pressures.

It is felt that AGC should give utmost attention to working out a comprehensive financial and economic programme for stabilizing prices in ITALY, to be put into effect as soon as the general military, economic and political situation is appropriate for such action. In the meantime, every action which can be employed under present conditions should be used for checking inflationary trend.

In view of increased in ert programs, is it possible to arrange with Italian Government to impose and enforce stricter measures against black markets?

Programs of control of Italian Government finances and curtailment of budgetary deficits should be pursued with utmost vigour by AGC and the Italian Government should be made fully aware of its responsibility for taking all possible corrective measures.

Also request AGC to continue vigorously its present efforts, both as to maximizing production and facilitating transportation and distribution in connection local crops.

CITE: CCAC

TAM 162.

Control of Inflation in ITALY.

A serious view is taken here of the critical nature of inflationary developments in ITALY. It is recognized that political and military conditions make it difficult at this time to introduce and administer measures to counter effectively the inflationary pressures.

It is felt that AGC should give utmost attention to working out a comprehensive financial and economic programme for stabilizing prices in ITALY, to be put into effect as soon as the general military, economic and political situation is appropriate for such action. In the meantime, every method which can be employed under present conditions should be used for checking inflationary trend.

In view of increased import programmes, is it possible to arrange with Italian Government to impose and enforce stricter measures against black markets?

Programme of control of Italian Government finances and curtailment of budgetary deficits should be pursued with utmost vigour by AGC and the Italian Government should be made fully aware of its responsibility for taking all possible corrective measures.

Also request AGC to continue vigorously its present efforts, both as to maximizing production and facilitating transportation and distribution in connection local crops.

ACTION: MGS

INFORMATION: SGS

FINANCE

DPIC

FIN ADV

MR MURPHY

MR MACMILLAN

C-4

MC IN 5547

10 APR 44

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